



James B. Brame, Jr.

NPTA's New Chairman
of the Board

ED KIANKA
CIS
DEPT. 581
4520 E-W HIGHWAY
BETHESDA, MD 20814

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William H. Frohlich

Staff Writers
Judith Brandt Fishkind
Ira B. Newman

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QBCR Sales and Profits Up

by George W. Cain, Director of Research, NPTA

NPTA's 1988 Second Quarter QBCR (Quarterly Business Conditions Report) shows 1988 sales and profits up significantly. The QBCR is an NPTA member service providing paper merchants with 10 common measures to analyze their performance on a quarterly basis.

Sales Increases Exceed First Quarter

Printing paper merchants reached a 21% increase over 1987. As compared to first quarter 1988, it showed a 17.5% increase, and a 10.1% increase over the second quarter of 1987. Printing paper merchants have experienced increases of 10% or more since the end of 1986. There have been significant increases in the relevant Commerce Department Producer Price Indices (PPI) only in 1988 and 1988's sales increase well exceed the Commerce PPI increase. First and second quarter 1988 QBCR results show the continuation of significant increases begun in late 1986.

Industrial paper sales increases for the second quarter 1988 were 17.2%, essentially continuing the first quarter 17.1%, but significantly higher than 1987 second quarter increases of 8.6%. Industrial paper merchants have now had four quarters of consistently high increases. Third quarter 1987 results were 16.7%, and 1987's fourth quarter increases dipped just below 10% to 9.6%.

Commerce Department Producer Price Indices are mixed for industrial paper merchants. The relevant industrial paper PPI has not risen as sharply as the printing paper index, but plastics indices have risen more in line with the printing paper index. Industrial paper merchants are likely in the same pattern noted in this year's "Paper Merchant Performance," with steady increases after discounting for

producer price rises but without the dramatic increases (and periodic decreases) of printing paper merchants.

Profits Rise in Second Quarter

Before-tax profit as a percent of net sales similarly showed significant increases over 1987 in the second quarter. Industrial locations showed a 2.8% rate, compared to 1987's second quarter rate of 2.6% and 1988's first quarter rate of 1.4%. Printing locations' 1988 second quarter 2.4% exceeded 1987's second quarter 2.2% but remained essentially unchanged from 1988's first quarter 2.4%.

Before-tax profits to sales is the QBCR's best overall "bottom line" measure; these second quarter results indicate the economy's continued growth may well be on its way to providing paper merchants with another good year.

Operating Expenses and Receivables—Source of Profit?

Operating Expenses as a percent of Gross Profit and Receivables Days are two of the other eight QBCR measures. Industrial locations' performance on these two measures essentially mirror their profit to sales performance, as follows:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Industrial			
NPBT to Sales	2.6%	2.4%	2.8%
Receivable Days	38.3	40.2	38.1
Expenses to Gross Profit	89.6%	91.7%	88.3%

Printing locations showed more of a mixed change, similar to their profit-to-sales performance, with increases over 1987 but mixed performance compared to 1988's first quarter, as follows:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Printing			
NPBT to Sales	2.2%	2.4%	2.4%
Receivable Days	41.4	42.3	40.7
Expenses to Gross Profit	87.5%	85.1%	85.9%

The remaining six measures include three gross margin measures: Inventory Turns, Turn and Earn Index and Average Warehouse Order Size. These measures show no consistent pattern to support the increased profitability for the second quarter QBCR. Industrial paper performance on these measures are:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Industrial			
Warehouse GM	21.5%	21.2%	21.5%
Indirect GM	20.8%	20.9%	20.6%
Direct GM	13.5%	13.1%	13.2%
Inventory Turns	6.5	6.0	6.4
WH Order Size	\$295	\$265	\$303
Turn & Earn Index	139.7	127.2	137.6

Printing paper performance on these measures similarly showed no consistent pattern of supporting the changes in profit-to-sales:

	Second Quarter 1987	First Quarter 1988	Second Quarter 1988
Printing			
Warehouse GM	21.6%	20.8%	20.8%
Indirect GM	18.1%	18.3%	17.6%
Direct GM	6.4%	6.2%	5.9%
Inventory Turns	5.3	5.3	5.2
WH Order Size	\$357	\$367	\$394
Turn & Earn Index	114.4	109.7	108.1

(Continued on page 33)

1989 NPTA Convention & Exposition

ANAHEIM CALIFORNIA

October 28-31, 1989

Official NPTA Convention Hotels

Hilton
Marriott
Disneyland
Inn on the Park
Quality Inn

The Anaheim Convention Center

QBCR in Third Year

The Quarterly Business Conditions Report began in 1986 as another NPTA member service. The QBCR is designed to provide a quick quarterly review of performance on these 10 performance measures. This *MN* article is based on United States-wide averages on all performance measures. Participating paper merchants receive a custom analysis listing their location's performance on these measures against regional and national averages. Participants also receive a listing of where they ranked among participating merchants. For example, 110 print locations were in the second quarter QBCR, and a participating print location

would receive a rank from one to 110 on each of the 10 performance measures. Industrial merchants for the second quarter were ranked from one to 112, as there were 112 industrial locations for the second quarter report.

Other NPTA Research Services

Other NPTA research services include the annual PAR (Performance Analysis Report), the monthly Sales Report and various market research services. PAR, an extensive annual operating survey, is a more detailed report with over 200 operating ratios providing comparisons to

U.S., regional, sales volume, sales path and profit-to-assets measures for each of the 200 ratios. The 1988 PAR (covering 1987 operations) is summarized in *Paper Merchant Performance* reviewed in the August issue of *MN*. The Monthly Sales Report is a briefer report analyzing sales changes, receivables days and inventory days. The Sales Report, summarized through graphs in *MN*, provides the quickest indicators of changes in paper wholesalers' business activities.

For further information about the Quarterly Business Conditions Report or other NPTA services listed, contact George Cain, NPTA research director, at 516-829-3070.